

MEETING SUMMARY
PROPERTY TAX ADMINISTRATION TASK FORCE
AUGUST 29, 2001 10:00 AM TO 3:00 PM

LOCATION: Bldg C-2, 5050 West Tennessee Street, Tallahassee, FL (e.g., Taxworld)
(First meeting to be held at this location)

FULL MEMBER SESSION-10:00 AM to 3:00 PM

MEMBERS PRESENT: Rod Adams, Jimmy Alvarez, Robert Banting, Steve Birtman, George Burnham, Fred Cole, Bill Coleman, Morgan Gilreath, Bill Graham, Ali Korman, Fred Meeker, Randy Miller, Sharon Outland, Bob Rackleff, John Robinson, Ken Small, Bill Suber, Vicki Weber

MEMBERS ABSENT: Keith Baker, Terry Lewis, Matt Ryan, and a representative for Tax Executive's Institute.

Chairman Zingale welcomed the members at the second meeting held under the Legislature's creation of the extension of the Property Tax Administration Task Force for three more years. He explained that the format will include the general rules of conduct and the standard agenda established during last year's series of meetings. General housekeeping issues were covered. Kathy Henley explained that the minutes for the last meeting were not yet completed and would be presented to the membership for review at the next meeting.

The chair introduced Jerry Merchant, the new chief of the Tax Section in the Attorney General's Office. Mr. Merchant provided a brief background on the section's responsibilities and his role as chief.

Adrienne Rodgers, a senior attorney with the Department, provided the members with an overview of their responsibilities under the Florida Sunshine Law, followed by a question/answer session. Staff pointed out as an opinion that documents created by task force members to share with members of their respective organizations are not documents covered by the Sunshine Law.

The chair re-explained how issues considered by the task force would be grouped for discussion. The groups were defined as:

Group 1—Once an issue is determined to be a member specific issue, it will no longer be one under the umbrella of those considered by the task force, but DOR staff and resources could be made available to assist members in supplementing the research of the member's organization.

Group 2—Full committee issues will be those issues where members are briefed regularly. These issues include the Real Property Guidelines; updates on legislation affecting property tax; the Department's roll approval process, the development of the economic life tables (added during this meeting), regular updates on the progress of Secretary Jim Horne's committee on the educational funding, and other areas of common interest that will not be delegated down to a working group.

Group 3—Issues raised by members and subject to full discussions. Focus groups will be established once these issues have been appropriately categorized.

Jeff Kielbasa explained the purpose of the Property Taxpayers Bill of Rights brochure, a document that was produced in partnership with TaxWatch. The brochure will be distributed to property appraisers' offices and DOR service centers and is intended to explain to citizens in one document their rights and where they go to protect those rights. Mr. Kielbasa also provided an estimate of when the first draft of the Real Property Guidelines will be available for distribution to the public.

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Steve Keller, provided a brief outline of recent court decisions related to property tax and which may interest some members. The cases were: *Howard v. Smith et al*, a challenge to SB 290 (2000 Legislature) dismissed by the trial court as of August 14, 2001; *Howard and Zachem v. the Department of Revenue*, a challenge to the Department's roll approval methodology still on hold; the *Sun 'n Lake* case, a 2nd district case concerning a CDD in Highlands County, where it was held that marketing vacant lots by a CDD is not a public purpose, and *Prewitt Management v. Nikolettes*, a ruling that a subchapter S corporation does not qualify for the homestead exemption. Mr. Keller completed his presentation with an update on the rules being promulgated as a result of 2001 legislative action.

Jim Zingale and David Beggs provided information on the progress of Representative Jerry Maygarden's Airport/Seaport Advisory Committee. A major issue being considered by the committee is that of what constitutes a "public purpose" for the port authorities. The Advisory Committee, using a similar framework as the PTA Task Force, is looking at the issue of "public purpose" as it relates to leaseholds granted by airport and seaport authorities and will be issuing a report by October 1, 2001.

The chair then provided members with the results of this year's roll approval process conducted by the Department. He stated the improvements that the Department was able to capture this go around will be cited in an update to the PTA Action Plan in November. He expressed the Department's gratitude for the cooperation from the property appraisers who came out early in the process to work with the Department to identify process weaknesses. The combination of hard work by the Department and property appraisers resulted in a roll that reflected a better level. Jim Zingale explained that for cities and counties our efforts didn't result in a tax increase because the rollback rate adjusted for the increased values, but for the school funding formula, it provided a significant source of revenue. He went on to say that some of the actions in the original plan were discarded because the consultants' recommendations failed to capture all aspects of the process.

Jim Zingale announced that we are soliciting feedback now from the Auditor General, the Governor and Cabinet and the two property appraisers' association to revise the three-year action plan accordingly and will be notifying the judge for the court case of our progress. The Department will continue to husband its resources and apply them in the optimal manner.

RATIFICATION OF 2000/2001 TASK FORCE CONCEPTS

The chairman referenced members to a handout that described their conceptual recommendations for improvements to the property tax administration process. While all were approved as recommendations at the last meeting, members not present at the last meeting were asked to ratify the concepts.

Lisa Echeverri defined the Department's role in developing the concepts, how the concepts became part of the Department's package, how they will be presented to the Governor and Cabinet for sanction, and then presented to the Legislature. She explained that the issues are further circulated to all interested parties for additional input as to how any proposed changes might affect parties who are not directly represented on the task force. She emphasized that, once in the Department's package, the concepts will be considered as Department recommendations. Ms. Echeverri explained that the wording in some of the issues is not exactly as recommended by the task force and the reason for that.

Jim Zingale and Lisa Echeverri went over each of the task force recommendations developed during the previous year's meetings. Issues which made it into the package include: special master certification;

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reciprocal exchange of information in preparation for value adjustment board hearings, universally accepted value adjustment forms, ad valorem tax refund time frames, special master training, and the Department's authority to include depreciation tables and economic life guides in the TPP guidelines outside the formal rule hearing process.

Issues not included in the Department's 2002 concept package include: the confidentiality of certain taxpayer information during the value adjustment hearing process, the taxation of mobile homes, and issues directly related to the 1st and 8th criteria adjustments.

Jim Zingale offered the assistance of the Department's legal staff to look at member-specific issues which speak to tax policy so as to provide informal opinions as to whether the Department thinks those issues fall within the spirit of the Florida Constitution.

A lengthy discussion followed between members and Department staff attempting to define the difference between tax policy issues and issues that are strictly procedural, administrative issues. The final explanation by the Department is that it is a policy issue if it attempts to adjust the tax base or set tax rates.

Ms. Echeverri pointed out that because an issue doesn't end up in the DOR legislative package doesn't mean that the Department thinks it has no place for discussion by the membership. She then went through each of the issues in the order listed on the handout, explaining that the proposed change to the statutory language was not a part of the concept package that will be going to the Governor and Cabinet for their approval. The statutory language will be refined when the issues get to the legislative process.

Jim Zingale, Lisa Echeverri and Steve Keller provided explanation of the conceptual base for the legislative concepts that the Department is bringing forward to address concerns and discussions from the task force during the meetings prior to today's meeting. Several of the issues evoked further discussion and clarification, but the issues were generally endorsed by the members as capturing improvements to the administration of property tax.

[The meeting adjourned for lunch]

LIST OF ISSUES TO BE CONSIDERED FOR 2001/2002 PHASE

Members were individually polled in July and August and asked to submit new issues to bring to the table for discussion and action during the next two years. A list of new issues and carry-forward issues was compiled by the Department's staff to use as a reference during this part of the meeting. Jim Zingale identified that the purpose of the afternoon's session was to enter the stage where new work would begin by the members. What he generally expects members to do is to surface up and cluster their ideas into broad areas as laid out previously and he hopes to get an expression from the membership if the issues are something they collectively want to discuss during the two years that lay ahead.

David Beggs referred members to the list of issues that were captured during the polling process and the carry-forwards from the previous year. Mr. Beggs explained that issues not on the list, but which were discussed last year without any action by the committee, are considered as member-specific issues and no longer covered by the Sunshine Law rules should they wish to discuss them with each other outside of the task force forum. Following is a very **broad description of those listed for the members:**

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- #1 – Levels of assessment used for the FEFP
- #2 – Practicality of the current allowance for the 1st and 8th criteria adjustment
- #3 – Treatment of tangible personal property used in agricultural assessments
- #4 – Determination of appropriate product prices used in agricultural assessments
- #5 – Determination of appropriate citrus product prices used in agricultural assessments
- #6 – Access to property by DOR field staff during the in-depth study and property appraiser for purposes of making assessments
- #7 – Determination of circumstances in which the property appraiser can appeal decisions by the value adjustment boards
- #8 – The ability for taxpayers to reschedule value adjustment board hearing dates
- #9 – Notification of deadlines for taxpayers to appeal value adjustment board decisions
- #10 – Ability for the property to make changes to the tax rolls for complicated properties without having to go through the value adjustment board process
- #11 – Equitable treatment of mobile homes used as structures
- #12 – Special district exemptions and public purpose concepts
- #13 – TRIM procedures and a proposal that actual budgets be used to identify changes from year to year
- #14 – Adjustment to the TRIM calendar to allow the TRIM timeline to kick off upon submission of the tax roll to the Department
- #15 – Simplification of the senior homestead exemption application process
- #16 – Eligible entities for the waste water and water service corporation exemption
- #17 – Inclusion of court cases into the TPP guidelines without full rule hearings

Mr. Beggs then noted that the following four issues were those which last year the full committee voted to carry forward for further analysis in future sessions:

- #18 – Non-ad valorem assessments to be included on the TRIM notice
- #19 – EFT and EDI to be required of the counties
- #20 – Unit assessment of farms
- #21 – Bright line test for determination of agricultural property treatment

Mr. Beggs then identified the following two issues that didn't move forward last year but came from discussions of the assessment appeals focus group:

- #22 – Filing fees for the value adjustment board and whether or not there should be an increase
- #23 – Change in the composition of the value adjustment board to include non-elected officials

Jim Zingale and Vicki Weber discussed whether issue #22 and #23 were left as being open for further consideration. The membership unanimously approved removal of these two issues from further consideration.

The remainder of the afternoon's session consisted of a round-table survey of members for additional issues to be explored over the next two years.

Issues that arose as a result of the discussion include:

- ? Eligibility of an artificial corporation for the homestead exemption
- ? Recapture concept for loss of classified use exemptions

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- ? Issues not settled by the Airport/Seaport Advisory Committee
- ? Disclosure of tax ramification on the sale of a residence subject to the SOH cap
- ? Use of the 1st and 8th criteria in market value appraisals
- ? Payment of interest and legal fees by government to a prevailing taxpayer in the appeals process
- ? Further fleshing out of the mobile home issue as to fair taxation of mobile homes that are, in fact, structures but are taxed as motor vehicles
- ? Treatment of supplies in tangible personal property assessments
- ? Rationale for the continued existence of the \$500 personal exemptions
- ? Further clarification of item #17 and the idea that it shouldn't be limited to just court cases but other disclosures of fact
- ? Discussion of the reasonableness for the use of the Department's levels of assessment by FEFP to establish millage
- ? Tracking of Secretary Jim Horne's committee progress on revamping the school funding formula
- ? Treatment of exemptions when property is held by a single member limited liability company
- ? Renewal of the application by seniors for the additional homestead exemption
- ? Definition of income as it applies to eligibility for the additional senior homestead exemption
- ? Basis for residual values used in the tangible personal property guidelines
- ? Confidentiality of income information used as evidence in value adjustment board hearings
- ? How value adjustment boards should treat the 1st and 8th criteria adjustments in their decisions
- ? Allocation values to tangible personal property and real property in real estate transactions
- ? Method to provide small counties with needed resources to compile proper assessment rolls

[SEE ATTACHED REPRODUCTION OF FLIP CHARTS CREATED DURING THE BRAINSTORMING SESSION]

Having gathered a list of additional issues which the membership may be interested in further exploring, Jim Zingale committed the staff to sort the issues into some kind of logical structure for preliminary discussion at the next meeting. The time during the upcoming meetings will be spent prioritizing the order of importance of the issues so the Department's staff can begin the necessary research for in-depth analysis.

The final business of the day was spent selecting a date, time and place for the next meeting. The next meeting was set for November 14, 2001, to begin at 10:00 AM and to be held in the same place as today's meeting, that is 5050 West Tennessee Street, Tallahassee, Florida, Building C-2.

The meeting adjourned at approximately 3:00 PM.

PREPARED BY KATHY HENLEY
November 10, 2001